

Engagement Policy Implementation Statement

Liberty Retail Pension Scheme (the “Scheme”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustees and covers the Scheme year 1 July 2021 to 30 June 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the “Regulations”). The Regulations require trustees of all Occupational Pension Schemes to produce an annual statement which outlines the following:

- Explain how and the extent to which the trustees of each pension scheme have followed their engagement policy which is set out in their Statement of Investment Principles (“SIP”).
- Describe the voting behaviour by or on behalf of the trustees of that pension scheme (including the most significant votes cast) during that scheme’s year and state any use of third party provider of proxy voting services.

This EPIS is the Trustees’ statement under the Regulations.

Executive summary

Based on the activity over the year by the Trustees and their investment managers, the Trustees believe that their stewardship policy has been implemented effectively. The Trustees note that most of their investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustees expect improvements in voting activity and disclosures from their investment managers over time. This is in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. In this current year ending 30 June 2023, the Trustees expect improvements from LGIM on its reporting of fund-level engagement examples and for Aon Investments Limited to engage with LGIM to ensure that improvements in its reporting are achieved.

Scheme stewardship policy

The following summarises the Trustees’ stewardship policy in force over the year to 30 June 2022.

The full SIP can be found here:

<https://liberty.a.bigcontent.io/v1/static/Liberty%20SIP%20-%202012%20November%202020%20-%20Website%20Version>

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests.

The Trustees regularly review the suitability of the Scheme’s appointed investment managers and take advice from their investment consultant regarding any changes. If an incumbent investment manager is found to be falling short of the standards the Trustees expect, the Trustees engage with the manager and seek a more sustainable position. They may also replace the investment manager.

The Trustees look for their investment managers, or other authorised third parties, to use their influence as major institutional investors to carry out the Trustees’ rights and duties as a responsible shareholder and asset owner.

The Trustees engage with the investment managers, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustees may engage with their investment managers on matters concerning an issuer of debt or equity. This includes its performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest.

The Trustees will also set out where they expect more information or engagement to be undertaken by their managers

Through this report, the Trustees review how the actions of their investment managers have aligned with the expectations and principles set out in the SIP.

Scheme stewardship activity over the year

During the year ended 30 June 2022, the Trustees met twice with representatives from Aon Investments Limited (“AIL”) covering the rating of underlying investment managers and AIL’s approach to responsible investment. They noted AIL’s investment in underlying funds that may have a positive impact on climate change and sustainability.

The Trustees noted Aon’s Environmental, Social and Governance (“ESG”) rating system which is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon’s researchers also assess the managers’ responsible investment related policies and procedures, including a review of their responsible investment policy itself, active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, the lead researcher will propose an ESG rating, which is subject to peer review using an agreed reference framework. Ratings are reviewed and where necessary updated during each year to reflect any changes in a fund’s level of ESG integration or broader responsible investment developments.

The Trustees met with a representative from BlackRock focusing in particular on investments in Chinese companies. The Trustees were disappointed with the lack of engagement by BlackRock and requested evidence of engagement. This resulted in a detailed reply from BlackRock on their stewardship escalation policy in relation to issues identified with companies, an explanation of how they engage with the marketplace to drive change in industries and their membership of task forces aiming to develop and deliver sustainable change. This response was positively received by the Trustees as evidence of BlackRock’s intent to be proactive with regards to responsible investment.

The Scheme holds units in the JP Morgan Multi Strategy Fund II which invests in hedge funds. This fund is in liquidation and at 30 June 2022, the Scheme had received redemption payments representing very nearly 100% of the valuation of the holding as at the liquidation date. Consequently, stewardship information has not been disclosed in the EPIS on the grounds of immateriality.

Engagement activity – AIL

The Trustees have reviewed AIL’s latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number of ESG focused meetings with the underlying managers across its strategies. At these meetings, AIL received reports on ESG integration, voting, and engagement activities undertaken by the investment managers. This allowed AIL to form an opinion on each manager’s strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon actively engages with its investment managers, and this is used to support AIL in its fiduciary services. Aon’s Engagement Programme is a cross-asset class initiative that brings together Aon’s manager research team and Responsible Investment specialists to promote manager engagement with the needs of Aon’s clients, such as the Scheme and its Trustees, in mind.

In Q3 2021, Aon was confirmed as a signatory to the UK Stewardship Code 2020 (“the 2020 Code”). With one-third of applicants failing to reach signatory status, this achievement confirmed the strength

and relevance of stewardship activity undertaken by Aon on behalf of its clients. For further details, please see the submission report:

<https://www.frc.org.uk/getattachment/b9002ca0-3beb-40e6-8b09-375661ccd193/Aon-UK-Stewardship-Code-2020-Report.pdf>.

Engagement example:

In September 2021, Aon engaged with an underlying manager to understand why the manager's submission for the 2020 Code was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC"). The underlying manager was previously a signatory to the 2012 UK Stewardship Code.

Aon and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the 2020 Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted to the FRC in October 2021 and was accepted as a signatory to the Code.

Voting and Engagement Activity – Equity and multi asset

Over the year, the Scheme was invested in the AIL Managed Growth Strategy with the main equity investments held being:

- BlackRock Emerging Markets Equity Fund
- Legal and General Investment Management Limited ("LGIM") Multi Factor Equity Fund

In this section there are examples of significant voting activity from each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the year. Each manager has their own criteria for determining whether a vote is significant. The Trustees consider a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management's recommendations.

A summary of voting statistics for each of the underlying equity investment managers over the Scheme year can be found in the Appendix of this statement.

Legal and General Investment Management Limited ("LGIM") – Multi Factor Equity Fund

LGIM monitors many ESG topics and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy:

<https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf>

Voting Policy Summary

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. LGIM also receives research from Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override voting decisions based on their voting policy if engagements with the company have provided additional information, or changes have been implemented in line with their policy.

Engagement Policy Summary

LGIM has a six-step approach to its investment stewardship engagement activities. Broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhance the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM had not provided engagement examples specifically for the fund invested in by the Scheme. Aon has engaged at length with LGIM regarding its lack of fund-level engagement reporting. LGIM confirmed it is working towards producing this in future. The example provided below is at a firm level, i.e. it is not necessarily specific to the fund the Scheme is invested in.

Voting Example: Accenture

In January 2022, LGIM voted against the management of Accenture, a professional services company, on a resolution to elect Arun Sarin as a Director. LGIM voted against the proposal because it expects board members not to hold too many external positions to ensure they can undertake their duties effectively. The vote passed with 86% votes in favour of the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement Example (firm level)

During 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. The overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM wrote to 20 water utility companies to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of the issue was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

As a passive manager, LGIM will not make active investment decisions (e.g. disinvestment) based on the engagement activity carried out above. Instead, the outcome of initial engagement activity is generally to embark on multi-year engagements through voting and dialogue with companies to deliver positive changes over time on pertinent issues. Aon's Investment Manager Research team view LGIM as best in class with respect to these activities and as a result rate them as 'Advanced' for ESG (Aon's highest rating). Here, Aon views this as best in class stewardship of the Scheme's assets as LGIM are engaging on a stretching thematic topic in an effort to assess and mitigate potential ESG risks. We will aim to track the developments of LGIM's multi-year thematic engagements over time.

BlackRock – Emerging Markets Equity Fund

Engagement Policy Summary

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and to build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues, that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, and company impacts on people.

More information can be found here:

<https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

Engagement Example: Vale S.A.

BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact of this dam collapse on the local community.

Following these engagements, BlackRock, as a passive manager, retains a position in Vale. In order to further assess and potentially mitigate ESG risks associated with Vale, BlackRock Investment Stewardship (BIS) have gone beyond engaging with Vale on the mining collapse disaster and have expanded this to board effectiveness and sustainability matters. Aon is comfortable that BlackRock have continued to engage with Vale on the mining collapse and additional topics on the governance of the firm. This evidences that BlackRock are aware of, and taking steps to address, highly material risks within the Emerging Market index tracking fund.

Voting Policy Summary

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses this research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

Voting Example: China Tower Corporation Limited

In January 2022 BlackRock voted against a proposal for China Tower Corporation Limited ("China Tower"), a telecommunications company, to elect Gao Tongqing as a director. BlackRock voted against this director election due to concerns about the lack of gender diversity on the board. BlackRock noted that the proposed board composition would fail to comply with the local regulatory requirements on gender diversity.

BlackRock engaged with the company to communicate its concerns about the lack of gender diversity on the board. BlackRock believed that the company should take a more proactive approach toward achieving gender diversity. The vote passed. BlackRock is continuing to engage with China Tower, and the companies it invests in the Asia Pacific region, to provide constructive feedback as companies seek to enhance diversity in the boardroom, and to monitor progress.

Fixed Income and Alternatives funds

The Trustees recognise that stewardship may be less applicable or have a less tangible financial benefit for fixed income and alternative mandates compared to equity mandates. Nonetheless, the Trustees still expect their non-equity managers to engage with external parties if they identify concerns, whether they are immediately financially material or not.

Fixed income managers, in particular, have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

The following section demonstrates some of the engagement activity being carried out by the Scheme's fixed income and alternative managers over the year. No comments have been included with regards to Insight Asset Management and the Liability Driven Investment (LDI) funds that they manage for the Scheme. This is because these are all UK Government securities and there is therefore little that LDI fund managers can do with regards to engagement with the UK Government on changes to ESG matters.

Appendix – Voting statistics

The table below shows the voting statistics for the equity funds invested in by the Scheme for the year to 30 June 2022.

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted on, % that were voted against management recommendations	Of the resolutions on which the fund voted, % that were abstained
LGIM – Multi Factor Equity Fund	11,814	99.7%	20.3%	0.2%
BlackRock – Emerging Markets Equity Fund	31,947	97.0%	10.0%	4.0%

Robeco – Global Credit Short Maturity fund

Engagement Policy Summary

Robeco actively uses its ownership rights to engage with companies on behalf of its clients. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk-return profile of its investments. Robeco engages with companies worldwide, in both their equity and credit portfolios. Robeco aims to improve a company's behaviour on ESG issues to improve the long-term performance of the company and ultimately the quality of investments for its clients.

Engagement Example: Barclays

Robeco engaged with British bank Barclays regarding its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system. The culture and behaviour at Barclays were key areas of focus for improvement. Barclays did a lot of work to improve its culture and the bank now regularly reports on the importance of behaviour, reinforcing an open culture. Barclays have implemented 'The Barclays Way' which sets out the standards of behaviour they expect their employees to adhere to. This can be found at the following address: [https://home.barclays/content/dam/home-barclays/documents/citizenship/the-way-we-do-business/The Barclays Way.pdf](https://home.barclays/content/dam/home-barclays/documents/citizenship/the-way-we-do-business/The%20Barclays%20Way.pdf). In Robeco's view, Barclays approach to combatting money laundering and financial crimes is largely in line with other European banks. Robeco closed this engagement with Barclays in Q4 2021.

Schroders plc (“Schroders”) – International Selection Fund (“ISF”) Securitised Credit Fund

Engagement Policy Summary

Schroders believes that engagement provides it with an opportunity to influence company interactions with their stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way. Schroders engages on a broad range of topics including climate risk.

In Schroders' ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into bonds known as asset-backed securities. In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligations managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence and decision making process.

Engagement example: OneMain Financial

In 2021, Schroders engaged with financial services company, OneMain Financial, about how it facilitates financing for its consumers that are more 'credit insecure'. OneMain Financial shared with Schroders its criteria for defining 'credit insecure' customers and how it achieves better credit results with this borrower base by offering borrowers financial education and services. Schroders also discussed differences between OneMain Financial and its peers, specifically disruption potential to its operations and consumer servicing from storms.

Aegon Asset Management (“Aegon”) European Asset Backed Securities (“ABS”) Fund

Engagement Policy Summary

Aegon believes that actively engaging with companies to improve their ESG performance and corporate behaviour is generally more effective than excluding companies from investment. Engagements are conducted by its investment managers, research analysts and its Responsible Investment team.

When engaging with portfolio companies, Aegon considers the UK and Dutch Stewardship Codes and the Principles for Responsible Investment (“PRI”). Aegon also participates in collaborative engagement initiatives such as the UK Investor Forum and the Institutional Investors Group on Climate Change.

Aegon engages with Asset Backed Securities (ABS) issuers regularly through ESG questionnaires for consumer loan ABS issuers. It meets with the issuers to discuss the questionnaire responses, the companies' ESG goals and to promote areas for improvement.

Engagement Example: Brignole

In 2021 Aegon engaged with Brignole, an ABS issuer, to better understand the consumer loans issued by the company, so it could assess if the loans had any positive or negative environmental impact. Further, Aegon suggested that the company increase borrowing for environmental purposes by offering a discount to borrowers with these intentions. Aegon discussed its ABS loan questionnaire responses with Brignole's management.

From the engagement, Aegon gained a better understanding of the loans, which helped Aegon make a thorough ESG analysis of the issuer. Brignole agreed to implement Aegon's suggestion to offer loans with environmental purposes at a discount. Aegon is pursuing similar engagements with other consumer loan issuers.

M&G Investments (“M&G”) – Alpha Opportunities Fund

Engagement Policy Summary

M&G developed its engagement process, adopting the Sustainable Accounting Standards Board (“SASB”) framework to structure its research and engagement activity, allowing it to incorporate ESG factors into the investment process for its holdings at all stages.

Since 2019, M&G has created a question databank of over 600 sector-specific ESG questions, which identifies key material risks and themes as identified by both SASB and its own internal experience of

the effects of ESG factors on credit and equity positions. This includes 250 climate related questions and incorporates the Transition Pathway Initiative ("TPI") and World Economic Forum ("WEF") Climate Governance guidelines to further build its capability to identify financially material risks on a sector-by-sector basis.

This enables M&G's analysts to ask relevant questions to investee companies dependent on their sector, and ensures that when there is a potentially material risk, M&G is able to identify and act on it in an efficient way. Engagement cases can then be easily prioritised through M&G's hashtag system, which allows its analysts across asset classes to monitor material ESG risks across the capital structure.

The M&G Corporate Finance and Stewardship team now works more closely with M&G's Fixed Income teams to assess their engagement activities, participate in ESG-related engagements and help to co-ordinate engagements across asset classes.

Engagement example: BP Plc

M&G engaged with the UK energy company, BP, to seek enhanced carbon data and emissions disclosure from the company. M&G met with the company's investor relations manager to outline its position: M&G as an investor has committed to Net Zero by 2050 across its investment portfolios. M&G monitors and tracks the collective climate performance of its investments with assistance from the Carbon Disclosure Project (CDP) portal, which M&G views as a leading tool for climate data management. CDP disclosure is an important aspect of managing the carbon exposure in M&G's portfolio companies. As such, M&G would welcome and encourage the inclusion of BP into the CDP carbon database. BP said that it aimed to be recognised as an industry leader in the transparency of its reporting. It believed it had made good progress in that space, and was listening to M&G's feedback, and that of other investors, on the CDP platform. Subsequent to the meeting, BP contacted M&G to say it had informed CDP that it plans to respond to the 2021 climate change questionnaire. This is the outcome that M&G were looking for as BP will now report on the CDP climate database (the largest database of public company climate disclosures globally).

Leadenhall Capital Partners LLP ("Leadenhall") – Insurance Linked Securities

Engagement Policy Summary

Leadenhall performs a detailed review of its investment counterparties' ESG policies and controls. Where appropriate, Leadenhall will avoid investment counterparties who are not aligned with its own ESG policies. Leadenhall assesses its investment counterparties' alignment with its own ESG principles by considering specific factors, including:

- Environmental impact such as pollution prevention, reduced carbon emissions, and adherence to environmental safety standards.
- Social impact including human rights, welfare and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.

In summary

Based on the activity over the year ended 30 June 2022 by the Trustees and their service providers, the Trustees are of the opinion that their stewardship policy has been implemented. There are areas that are being followed up by the investment managers and improvements sought on reporting of fund-level engagement examples. These are being advanced by the Trustees' service providers during the current year ending 30 June 2023. The Trustees note that most of their applicable investment managers were able to disclose strong evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

January 2023